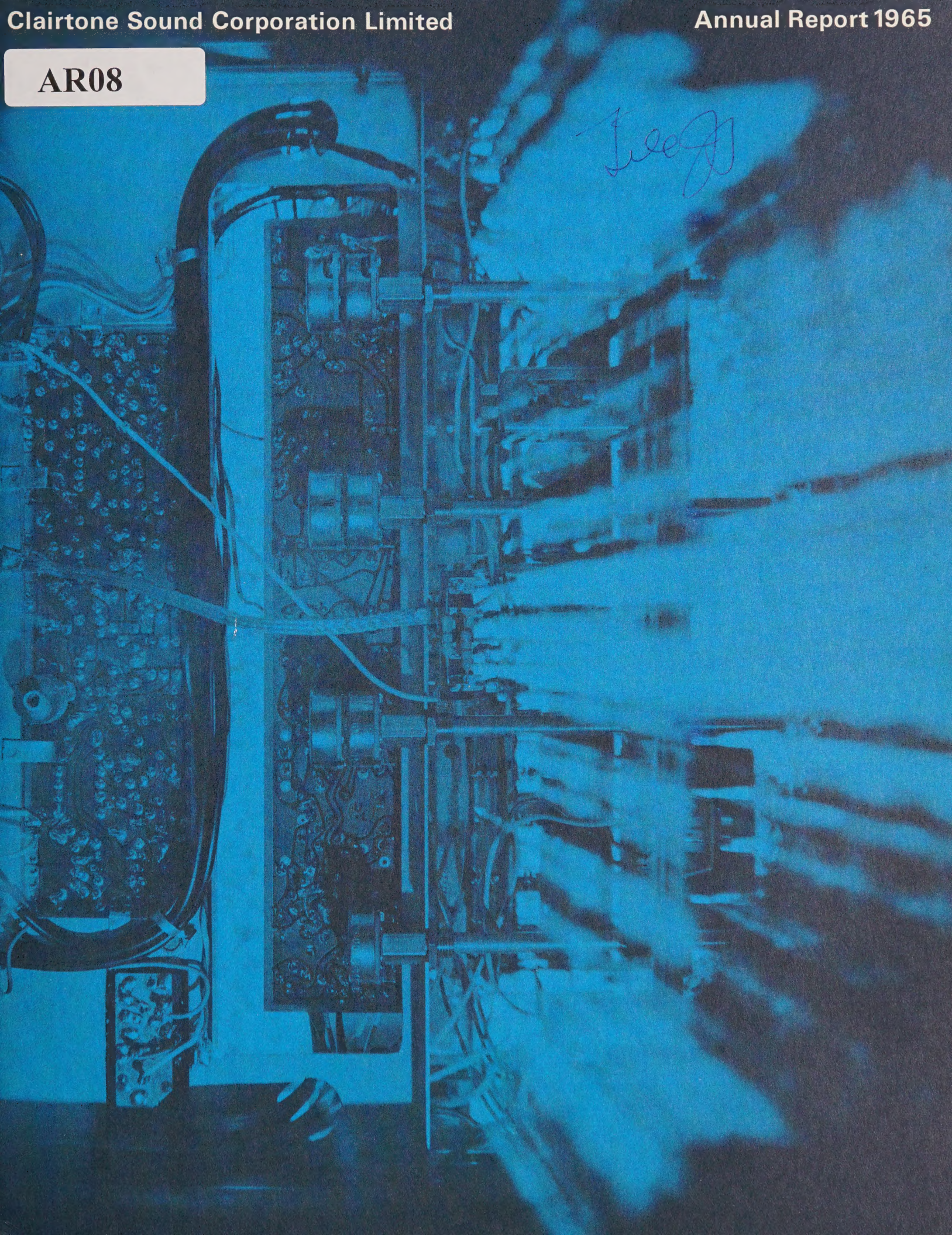


AR08





Officers

Peter Munk B.A.Sc., P.Eng. *president*
David Harrison Gilmour
executive vice-president and treasurer
Zigmund A Hahn C.A.
senior vice-president and secretary
Michael A Chojnacki
vice-president, manufacturing
Jack C McCauley
vice-president, marketing and sales
David F Pols C.A. *comptroller*

Directors

Clifford V Brokaw III
Michael A Chojnacki
David Harrison Gilmour
Zigmund A Hahn
G Malcolm Hogarth
James M Hutton jr
Wallace Robert Johnston
J Maitland Macintosh
J C MacKeen
Peter Munk
D W Samuel
Robert M Sutherland
A Mark Vansittart

Auditors

McDonald, Currie & Co.
Chartered accountants, Toronto

Transfer agents

Guaranty Trust Company of Canada *Toronto*

Legal counsel

MacDonald & Macintosh *Toronto*

Head office

100 Ronson Drive, Rexdale, Ontario, Canada

Annual Report 1965

The president's letter

1965 saw a continuation of Clairtone's growth. Sales reached a record high of \$11,263,800, an increase of 18% over 1964. After tax earnings per share increased from 19¢ in 1964 to 44¢ in 1965.

The increase in earnings was attributable to strong fourth quarter sales, coupled with a lower average tax rate as a result of the fact that the Nova Scotia factory's operations are tax free for three years commencing July 1, 1965.

On December 30, 1965, an agreement was entered into between Clairtone and Industrial Estates Limited to purchase 300,000 preference shares at par to yield the company \$3,000,000. These shares were accompanied with share purchase warrants more fully described in the financial section of this report.

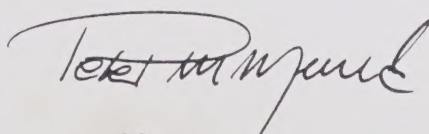
\$1,000,000 of the proceeds from the sale of the preference shares will be used to retire the company's outstanding Series B bonds and thus reduce Clairtone's long term indebtedness.

The remaining \$2,000,000 is designed to finance the company's color television manufacturing and merchandising program which will commence in June 1966.

The company invested \$1,073,366 in preferred and common shares of Canadian Motor Industries Holdings Limited. The original investment made by Clairtone and the other shareholders of CMIH was substantially expended in start up and marketing costs. Negotiations are taking place which, if successful, will provide new funds, from sources other than Clairtone, with which to continue the company's program. Until the final results of these negotiations are known, it is impossible to establish a proper valuation. For that reason the investment is carried at cost.

On February 28, 1966, your company announced its intention to enter the color television field, utilizing the new manufacturing facilities at Stellarton, Nova Scotia, which were especially designed for this purpose. The combination of advanced Clairtone engineering, the modern and efficient manufacturing facilities and the company's unique marketing program make it possible for me to predict with confidence that a Clairtone color television set will be met with gratifying acceptance by the Canadian and American public and will form the basis of continuing profitable growth.

This complementary extension of our product lines can be expected to result in increased earnings in 1966.



president

Manufacturing

During 1965, electronic stereo chassis were manufactured in Stellarton, Nova Scotia, cabinets were made in our Strathroy, Ontario plant and final assembly was carried out at Rexdale, Ontario. With the completion of the 7-acre Stellarton plant, all three operations will take place within a single building.

The very able team responsible for the transition is headed by Michael Chojnacki, Vice President, Manufacturing. He will be assisted by Raymond Jones, Manager of the electronics division, and George Weil, Manager of the cabinet division. All three have played important roles in Clairtone's development and Messrs. Chojnacki and Weil are, in fact, two of the original four employees who joined Clairtone in its founding year 1958.

Construction of the new plant continued on schedule throughout 1965, and by the end of the year, was ready to receive the first of the specially designed machinery for the cabinet plant (which occupies approximately two-thirds of the manufacturing area). By the end of February, most of the equipment was in place and employees were being hired to commence on-site training.

The furniture factory is probably the most modern of its kind in the world. Designed by an internationally-known expert in this field, Rolf Rothstein, it uses an entirely new layout and multi-purpose machinery was created specifically for this plant. We have been fortunate in assembling a team of specialists willing to relocate from far afield to supervise and train our new Nova Scotia employees.

The electronic division has operated for the past year in a building leased from Industrial Estates Limited (next door to our new building) but will move into the new plant in April. This operation, with its highly automated line and streamlined production techniques, has functioned with great efficiency and certainly justified Management's decision to manufacture in Nova Scotia the electronic components used in Clairtone products.

The furniture factory at Strathroy, Ontario, will continue to operate at capacity to satisfy the demand of U.S. manufacturers for cabinets, chiefly for color television.

Ditchburn Clairtone: England

Clairtone's associated company, Ditchburn Clairtone Limited of England, which is controlled by The Ditchburn Organization, commenced marketing Clairtone products in 1965. The costs to date of establishing the marketing and distribution organization in England have exceeded revenues. However, The Ditchburn Organization views with confidence the long term success of the Clairtone product line in England. They look forward to increasing volumes which will establish this company on a profitable basis.





Engineering

In addition to its task of continuing the refinement of the highly sophisticated solid state electronic chassis and control sections that go into every Clairtone stereo set, the Engineering Department has been heavily engaged during the past year and a half in the establishment of a color television section.

Lin Kao, a well-known TV engineering authority from Chicago, is heading up the team charged with the important task of completing engineering requirements for the color television line in time to permit manufacturing to begin during June of 1966. It is interesting to note here that Clairtone will be the first firm to make color television without previously manufacturing black and white television sets. This corresponds with the company's initial entry into the stereo field without first making monaural high fidelity units. In this way, all of the company's ability has been carefully channelled to the intricacies of color with a singleness of purpose. We will be color television specialists, just as we have been stereo specialists.

Another notable accomplishment of the Engineering Department in 1965 was the development of the new G2 Sound Globe System. This entirely new speaker system produces an exceptionally pure sound that is difficult to equal even with very large enclosures.

Color Television Product Line

The new color television line will consist of five console models and four theater models (which include AM/FM Stereo and phonograph) and production will commence June 15 at a minimum annual rate of 20,000 units. This figure is expected to increase in 1967.

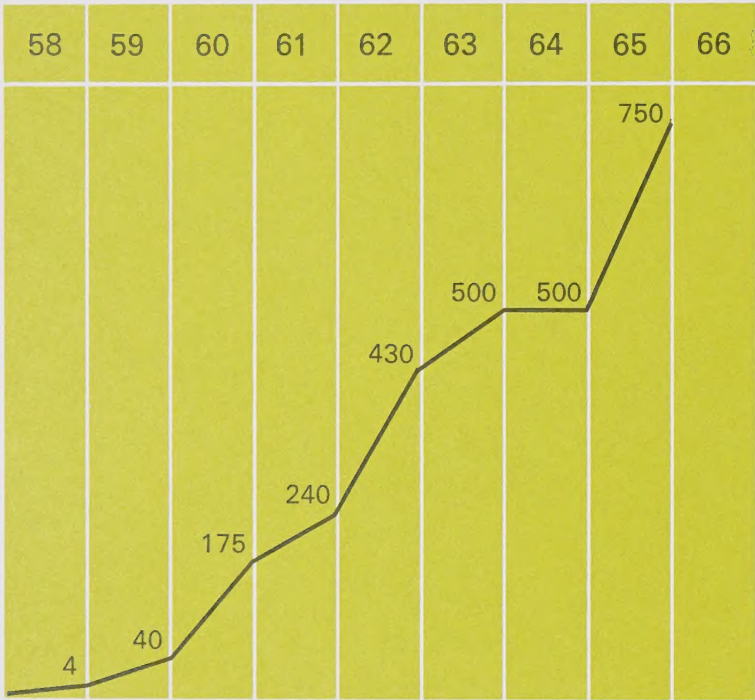
As a yardstick of Clairtone's expected importance in the Canadian color television field it should be mentioned that, according to published E.I.A. forecasts, 40,000 color television sets will be built in Canada in the 12 months of 1966 (not including Clairtone's output).

Product distribution will follow the established Clairtone pattern of exclusivity. Some 75% of the top department stores of North America presently have the Clairtone franchise and it is expected that these stores will also carry the Clairtone color franchise.

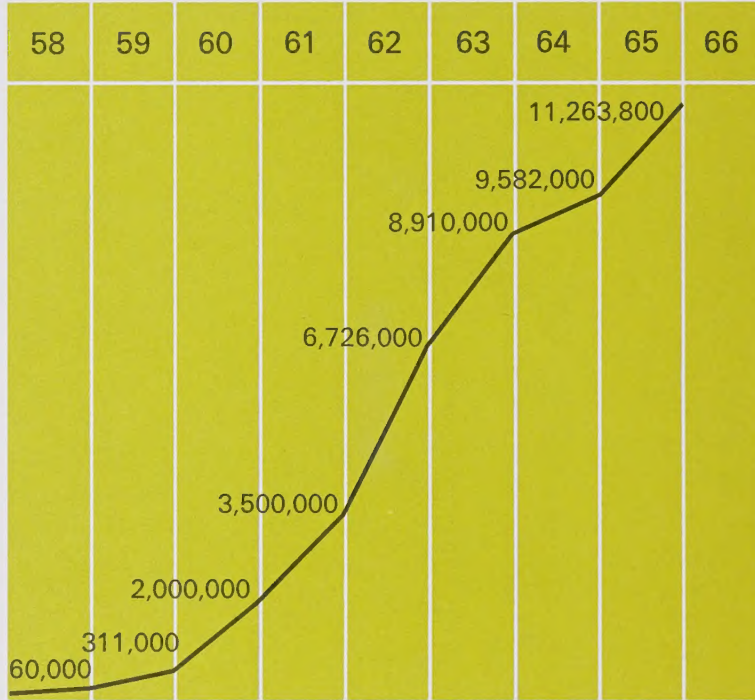
About 65% of the color sets manufactured by the company will be sold in the U.S.

In Canada, franchises are being signed with the major department store chains and those independent stores who have held the Clairtone stereo franchise and continue to have the highest reputation for quality, integrity and service.

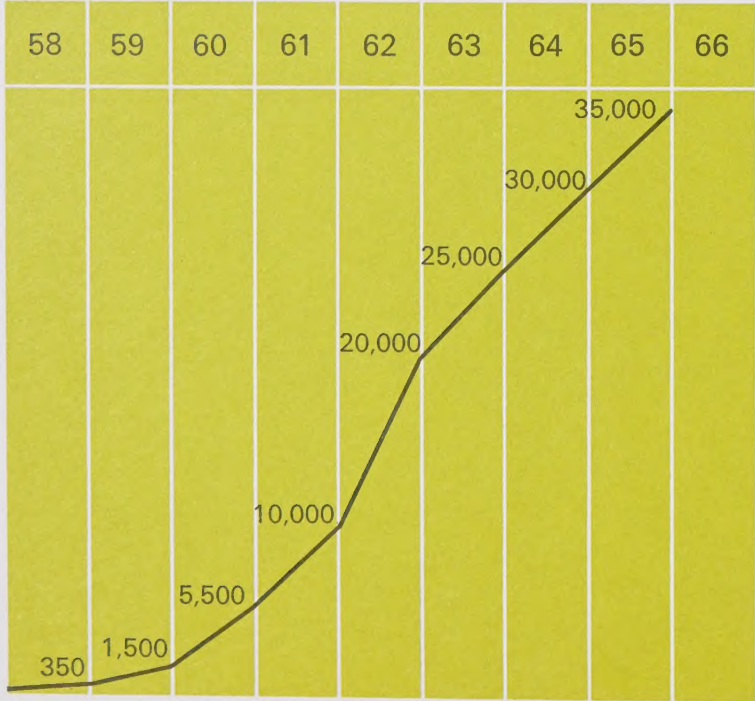
Employees



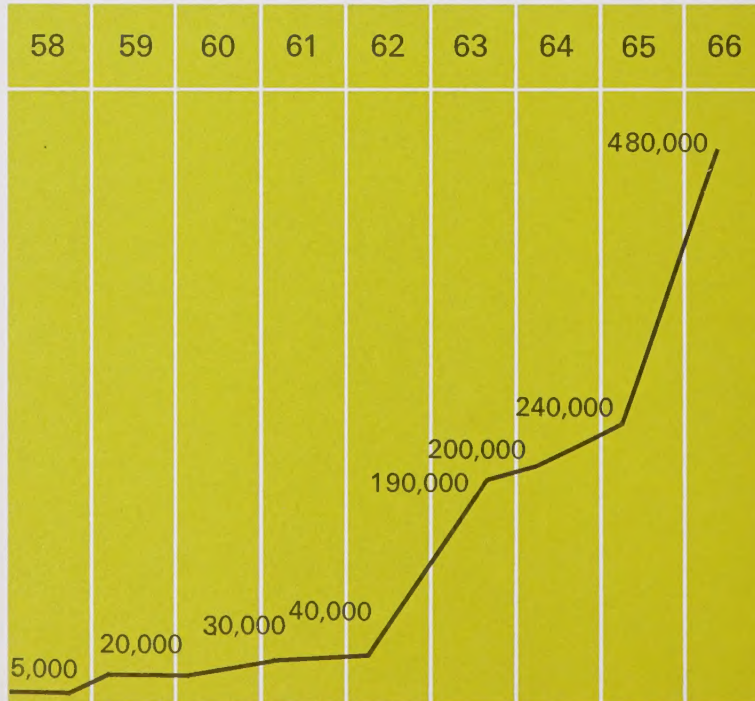
Approximate dollar sales



Production



Plant area: square feet



Clairtone Sound Corporation Limited and wholly owned subsidiaries

Consolidated statement of earnings for the year ended January 7, 1966		
	January 7, 1966	January 1, 1965
Sales	\$11,263,800	\$9,582,811
Earnings before the undernoted items	464,628	350,266
Depreciation	88,678	64,200
Interest on bonds and debentures	61,080	71,591
Amortization of financing costs	22,292	9,560
	172,050	145,351
	292,578	204,915
Provision for income taxes (note 8)	36,000	95,296
Earnings for the year	256,578	109,619
Earnings per share	44¢	19¢

Consolidated statement of retained earnings for the year ended January 7, 1966		
Balance: beginning of year	570,787	461,168
Add: Earnings for the year	256,578	109,619
Balance: end of year	827,365	570,787

Clairtone Sound Corporation Limited and wholly owned subsidiaries Consolidated

Assets	consolidated balance sheet	pro forma consolidated balance sheet (note 10)
Current assets		
Cash	\$ 114,321	\$ 2,054,321
Deposit receipts plus accrued interest	304,700	304,700
Accounts receivable—		
Trade	3,700,279	3,700,279
From directors	24,159	24,159
Other	239,194	239,194
Inventories at the lower of cost or net realizable value (note 2)	2,890,038	2,890,038
Prepaid expenses	223,117	223,117
	<u>7,495,808</u>	<u>9,435,808</u>
Investments—at cost		
Canadian Motor Industries Holdings Limited (note 3)	<u>1,301,402</u>	<u>1,301,402</u>
Associated company—Shares of Ditchburn Clairtone Limited	<u>1,365</u>	<u>1,365</u>
Fixed assets (note 4)	<u>3,035,748</u>	<u>4,145,748</u>
Cash held for purchase of fixed assets	—	450,000
	<u>3,035,748</u>	<u>4,595,748</u>
Deferred charges and other assets		
Special projects	170,088	170,088
Financing costs less amounts written off	334,836	529,836
Other	18,472	18,472
	<u>523,396</u>	<u>718,396</u>
Goodwill—at nominal value	<u>1</u>	<u>1</u>
	<u>12,357,720</u>	<u>16,052,720</u>

Auditors' report to the shareholders

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Clairtone Sound Corporation Limited and wholly owned subsidiaries as at January 7, 1966 and the consolidated statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As described by note 3, the investment in Canadian Motor Industries Holdings Limited is shown in the balance sheets at cost. Because that company may be refinanced, we are unable at this time to state what amount would be required to reduce cost to fair value.

Subject to this qualification as to the value of the investment in Canadian Motor Industries Holdings Limited, in our opinion the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly the consolidated financial position of the companies as at January 7, 1966 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Subject to the same qualification relating to the investment in Canadian Motor Industries Holdings Limited, in our opinion the accompanying pro forma consolidated balance sheet also presents fairly the consolidated financial position of the companies as at January 7, 1966, after giving effect to the events and transactions set out in note 10.

McDonald, Currie & Co.

McDonald, Currie & Co., Chartered Accountants,
March 22, 1966

balance sheet and pro forma consolidated balance sheet as at January 7, 1966

Liabilities	consolidated balance sheet	pro forma consolidated balance sheet (note 10)
Current liabilities		
Bank loans and overdrafts (note 5)	\$ 2,027,343	\$ 2,027,343
Accounts payable and accrued liabilities	1,817,907	1,817,907
Sales and other taxes	312,786	312,786
Current instalments of long-term liabilities	508,909	8,909
	4,666,945	4,166,945
Long-term liabilities (note 6)	5,884,266	7,079,266
Deferred income taxes	130,000	130,000
	10,681,211	11,376,211

Shareholders' Equity

Capital stock

Authorized—

300,000 cumulative redeemable first preference shares, par value \$10 each,
issuable in series (note 10)

1,000,000 shares without par value (note 7)

Issued and fully paid—

580,700 shares (including 1,800 shares issued during the year for \$9,720) 849,144 849,144

To be issued in 1966 (note 10)

100,000 6¼% cumulative redeemable first preference shares Series A — 1,000,000

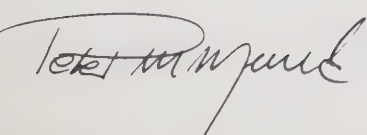
200,000 6¼% cumulative redeemable first preference shares Series B — 2,000,000

Retained earnings 827,365 827,365

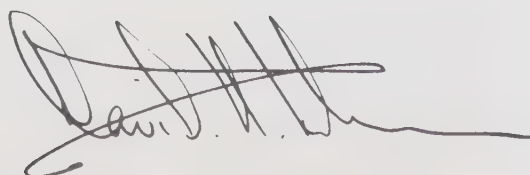
1,676,509 4,676,509

12,357,720 16,052,720

Signed on behalf of the board



Director



Director

Clairtone Sound Corporation Limited and wholly owned subsidiaries

Consolidated statement of source and use of funds for the year ended January 7, 1966

	January 7, 1966	January 1, 1965
Source of funds		
Earnings for the year	\$ 256,578	\$ 109,619
Add: Charges not requiring cash outlay—		
Depreciation and amortization	110,970	73,770
Deferred income taxes	32,000	58,000
	<u>399,548</u>	<u>241,389</u>
Proceeds from—		
6¾% first mortgage bonds	6,000,000	—
Interim debentures	1,000,000	2,000,000
Common shares	9,720	9,720
	<u>7,409,268</u>	<u>2,251,109</u>
Use of funds		
Investments—		
Canadian Motor Industries Holdings Limited	263,652	1,037,750
Ditchburn Clairtone Limited	—	1,365
Redemption of interim debentures	3,000,000	—
Redemption, or inclusion with current liabilities of long-term debt	508,909	953,494
Additions to fixed assets	2,427,559	344,046
Expenditures on special projects, less write offs	(957)	50,076
Other	3,665	28,604
	<u>6,202,828</u>	<u>2,415,335</u>
Increase (decrease) in working capital	1,206,440	(164,226)
Working capital—beginning of year	1,622,423	1,786,649
Working capital—end of year	2,828,863	1,622,423

Clairtone Sound Corporation Limited and wholly owned subsidiaries

Notes to financial statements for the year ended January 7, 1966

1 Principles of consolidation

The consolidated financial statements include the accounts of all wholly owned subsidiaries.

United States current assets and current liabilities have been converted to Canadian funds at the January 7, 1966 rate of exchange. United States fixed assets have been converted to Canadian funds at the approximate rates in effect when they were acquired.

2 Inventories

	January 7, 1966	January 1, 1965
Finished goods	\$1,782,680	\$1,851,134
Raw materials and work in process	1,107,358	1,217,950
	<u>2,890,038</u>	<u>3,069,084</u>

3 Investments

The investment in Canadian Motor Industries Holdings Limited (CMI), a partly owned subsidiary, comprises:

19,500 Class "A" preference shares (of a total of 34,125 shares outstanding)	\$ 975,000
251,000 common shares (of a total of 492,500 shares outstanding)	98,366
	<u>1,073,366</u>
Advances	228,036
	<u>1,301,402</u>

Negotiations are currently taking place which, if successful, will result in additional funds being provided to CMI from sources other than Clairtone Sound Corporation Limited. The funds invested in CMI by its shareholders have been substantially absorbed by start-up costs and operating losses. No provision for these has been made in the accounts of Clairtone Sound Corporation Limited. Clairtone's proportion of CMI's equity at December 31, 1965, based on unaudited financial statements before providing for depreciation, was approximately \$265,000 plus the advances of \$228,036.

The accounts of CMI have not been consolidated because of the large minority interest and because operations are not comparable with those of other companies in the Clairtone group.

4 Fixed assets

The fixed assets are valued at cost less accumulated depreciation and comprise:

	January 7, 1966			January 1, 1965
	cost	accumu- lated depreciation or amortiza- tion	net	net
Land	\$ 10,148	\$	\$ 10,148	\$ 2,600
Buildings	1,822,816	61,669	1,761,147	90,994
Equipment and furniture	1,418,804	265,341	1,153,463	518,195
Leasehold improvements	154,758	43,768	110,990	85,078
	<u>3,406,526</u>	<u>370,778</u>	<u>3,035,748</u>	<u>696,867</u>

The additions to fixed assets were substantially related to the building and equipping of the companies' manufacturing facilities at Stellarton, Nova Scotia. Further costs of \$1,110,000, which are not recorded in the accounts, will be incurred during 1966.

The construction of manufacturing facilities in Nova Scotia including the portion to be completed in 1966 is being financed out of the proceeds of the first mortgage bonds.

5 Bank loans and overdrafts

The bank loans, which are from Canadian banks, are secured in accordance with Canadian banking practice by book debts and inventories.

6 Long-term liabilities

	consolidated balance sheet	pro forma consolidated balance sheet
6%% first mortgage bonds Series A, maturing July 1, 1980 with sinking fund payments of \$500,000 in 1968, \$213,000 in 1969, and thereafter increasing annually to \$409,000 in 1979, interest to accrue from July 1, 1968	\$4,250,000	\$4,250,000
First mortgage bonds Series B, \$500,000 maturing July 1, 1966 and \$500,000 on July 1, 1967	1,000,000	—

Clairtone Sound Corporation Limited and wholly owned subsidiaries

6¼% first mortgage bonds Series C, maturing July 1, 1985 with sinking fund payments of \$474,000 in 1981 and thereafter increasing annually to \$576,000 in 1984, interest to accrue from July 1, 1968

\$1,000,000	\$2,695,000
-------------	-------------

5% first mortgage bonds of Strathroy Industries Limited maturing January 1, 1972 repayable in annual amounts of \$8,909 from January 1, 1967

143,175	143,175
6,393,175	7,088,175
508,909	8,909
5,884,266	7,079,266

Less: Included with current liabilities

7 Capital stock

169,400 shares are reserved for the following purposes:
98,900 for issue upon the surrender of share purchase warrants which accompanied the sinking fund debentures 6¼% series A (now redeemed) entitling the holder thereof to purchase shares at \$6.50 per share on or before September 15, 1970.

70,500 for options to employees of which options have been granted on 67,200 shares at the following prices:

no. of shares	price \$	expiry date
2,000	5.40	February 28, 1968
57,200	6.50	February 28, 1968
3,000	6.30	February 28, 1968
5,000	6.30	May 7, 1970

The trust deed relating to the first mortgage bonds restricts the payment of dividends.

8 Income taxes

Included in consolidated net earnings is \$213,000 which represents the earnings of a subsidiary exempted from income taxes under the area development provisions of the Income Tax Act. This tax exemption will continue until July 31, 1968.

9 Long-term leases

Rentals under lease agreements which extend more than 5 years from January 7, 1966 aggregate approximately:

1966-1970	\$210,000
1971-1975	210,000
1976-1978	101,500

10 Pro forma consolidated balance sheet

This gives effect to the following events and transactions subsequent to January 7, 1966:

(a) The obtaining of supplementary letters patent, which have been applied for, confirming an increase in the authorized capital by creating 300,000 first preference shares of the par value of \$10 each, and designating these as 100,000 6¼% cumulative, redeemable first preference shares Series A and 200,000 6¼% cumulative redeemable first preference shares Series B.

(b) The issue at par of 100,000 Series A and 200,000 Series B preference shares, accompanied by warrants to purchase 50,000 common shares, pursuant to an agreement dated December 30, 1965 with Industrial Estates Limited, for \$3,000,000 cash.

(c) The application of the proceeds of the issue of the 100,000 Series A preference shares to the redemption of \$1,000,000 principal amount of first mortgage bonds Series B.

(d) The application of the proceeds of the issue of the 200,000 Series B preference shares to the purchase of an additional \$450,000 in equipment for color television production and the increasing of working capital by \$1,550,000.

(e) The issue of an additional \$1,695,000 principal amount of first mortgage bonds Series C for \$1,500,000 cash.

(f) The payment of \$1,110,000 for the balance of the costs relating to the building and equipping of manufacturing facilities in Nova Scotia and the increasing of working capital by \$390,000.

The Series A and Series B preference shares are redeemable at premiums up to 20%, depending on when redemption takes place. Each share carries one vote until the first dividend is paid. Dividends begin accruing from January 1, 1969, and specified sums must be set aside for redemption or purchase for cancellation in each year commencing January 1, 1971 until January 1, 1985.

Each of the 50,000 warrants accompanying the preference shares entitles the holder to purchase one common share for:

\$ 7.50 to June 30, 1969;

\$10.00 thereafter to June 30, 1971;

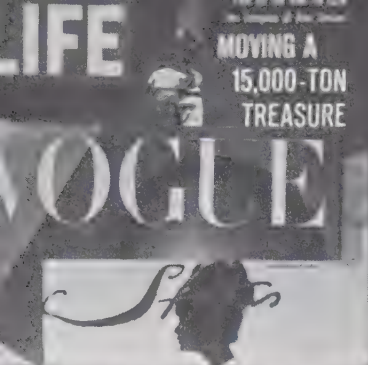
\$12.50 thereafter to June 30, 1976.

So long as any of the preference shares are outstanding, no cash dividends may be paid on any shares ranking junior thereto.



"In the economy car class, currently dominated by Volkswagen, a new contender has climbed into the ring: The Toyota Corona. If you drive the Corona as well as the VW before making their decision this Oriental buggy just might emerge the new champ. In almost every department important to buyers of this kind of vehicle, the Corona gets the nod". ROAD TEST MAGAZINE November 1965.





Listen to Sinatra on Clairtone stereo.

Sinatra does.

LIFE

Listen to Stan Getz on Clairtone.

Stan Getz does.

BOTH FOR ONLY \$600.00!

BOTH FOR ONLY \$600.00!

BOTH FOR ONLY \$600.00!

CLAIRTONE

CLAIRTONE

CLAIRTONE

The Halle Bros. Co.

Since '20 to '240 during our annual factory-authorized

CLAIRTONE STEREO SALE

Choice from 11 1955 console models, including Stereo-Color TV combinations

The complete Clairtone system is available in the most popular size of the 11 given Clairtone stereo models for \$799. And all models have 100% 100% Stereo. Choice from 11 1955 console models, including Stereo-Color TV combinations. Price range from \$199 to \$799 in a wide variety of rich finishes, color wood.

Since '40 on the Regency '299

The Regency is a complete system in rich wood with a single set of speakers in the Regency. And you can still have the Regency for \$299.

Marshall Field & Company

RE-OPEN TOMORROW'S SPECIAL

SPECIAL SELLING

CLAIRTONE STEREO-RADIO-PHONOGRAPH COMBINATIONS

'479 - '599

One Year Sale of quality Clairtone at Macy's

CLAIRTONE, Macy's BEST-SELLING CUSTOMER-DESIGNED STEREO IN TEN FASHION DESIGNS ON SALE FOR A LIMITED TIME ONLY

MACY'S, THE WORLD'S LARGEST STORE, PRESENTS THE TV AND MUSIC FESTIVAL AND SALE, STARTING FEBRUARY 7th

LOOK AT THE ASSORTMENT OF CLAIRTONE STEREO SYSTEMS MACY'S OFFERS YOU.

SALE \$599

LOOK \$199

SALE \$499

SALE \$399

Superb Clairtone solid state stereo consoles

ABRAHAM & STRASS

Christmas world of clairtone solid state stereophonic hi-fidelity units

Rich's

CLAIRTONE

BOTH FOR ONLY \$600.00!

BOTH FOR ONLY \$600.00!

CLAIRTONE

Be there with CLAIRTONE

CLAIRTONE STEREO WEEK starts Monday at "The Bay" Get out for a thrilling adventure! At first glance

the Bay

Advertising

Famous Frank Sinatra gave his approval to our 1965 slogan "Listen to Sinatra on Clairtone. Sinatra Does." Ads ran in Life, Status, Vogue and the Los Angeles Times Home Magazine in the United States and in major daily newspapers in Canada.

While it is difficult to evaluate the actual number of sales resulting from advertising, comments were good and the campaign was well-received by the public and the trade and created some excitement because of the association with the famous star's name.

Dealer Relations

Clairtone personnel worked closely with dealers in both Canada and the United States during 1965 in an effort to improve the presentation of the product through advertising, in-store display and salesmanship by store employees. As a result, Clairtone has become, to some degree, identified with the prestige image of the major department stores and acceptance as a recognized and respected brand name has brought about increased sales.

Management will continue the policy of exclusivity and the dealer family will remain relatively small to ensure that the quality image built up over the years is maintained and enhanced.

A partial list of Clairtone's dealers reads like a "Who's Who" of North American merchandising:

Major Canadian Cities

Akron
Atlanta
Boston
Chicago

Cincinnati
Cleveland
Dallas
Detroit
Houston
Los Angeles

Miami
Milwaukee
Minneapolis
New Jersey
New York

Memphis
Philadelphia
St. Louis
San Francisco

Seattle
Washington

Eaton's
Simpson's
Morgan's
Hudson's Bay Co.
Simpsons-Sears

Polsky's
Rich's
Jordan Marsh
Marshall Field
Carson, Pirie & Scott
Pogue's
Halle Bros.
Titcher-Goettinger
J. L. Hudson's
Foley's
Bullock's
Barker Bros.
Robinson's
Jordan Marsh
Boston Store
Dayton's
Bamberger's
Abraham & Straus
B. Altman
Bloomingdale's
B. Gertz
Macy's
Stern's
Wanamaker's
Goldsmith's
Wanamaker's
Famous Barr
Macy's of California
Sherman Clay
Bon Marche
Woodward & Lothrop

Public Relations

Good relations with the press have continued and the Clairtone name has been before the public frequently during the year in most areas.

Clairtone was mentioned on the floor of the United States House of Representatives in a speech by The Honourable Seymour Halpern as "representing an awareness of both economic self-interest and the resultant goodwill bred within and outside of the business community."

Congressman Halpern said: "The forward leadership of this typically fine concern reminds us anew of the great gains to be won through private economic undertakings on a world scale."

Naturally, Management was delighted by The Honourable Mr. Halpern's comments since the company feels very strongly that our two countries should work closely together to lower and eventually banish the anachronistic barriers which now impede free trade between the U.S. and Canada.



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 89th CONGRESS, SECOND SESSION

Toward Better United States-Canadian Relations: A Real Pacemaker

SPEECH
OF

HON. SEYMOUR HALPERN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, January 24, 1966

Mr. HALPERN. Mr. Speaker, for a great length of time the United States has worked together in peace and harmony with our neighbor to the north, Canada. In business, in government, and in other fields of endeavor, the two peoples have enjoyed a warm and friendly relationship.

In commerce and industry, the development of close ties has been a key element in our mutual economic progress.

In Canada, numerous American firms have established subsidiary companies. Trade relations between our two countries must continue to reflect the interests of both the United States and Canada. The unhindered growth of two-way business relations between Canada and the United States is a laudable achievement in a troubled world. My interest here led me to survey the records of some respected international private firms.

Typical of the good-neighbor business policy is the relationship of a dynamic young Canadian concern, whose success vividly illustrates my point. Clairtone Sound Corp., Ltd., which sells electronic entertainment equipment such as high-fidelity systems, has established a solid working relationship with American

business and, in so doing, clearly shows the way in accomplishing mutually beneficial commercial ties.

Demonstrating the firm's export-oriented complexion, the Clairtone Sound Corp., has erected a nationwide sales organization in the United States, with permanent offices in such major cities as New York, Chicago, and Los Angeles. One of Canada's most respected companies, it also maintains branches abroad in France, Great Britain, and Germany. The company is an enthusiastic exhibitor at trade shows throughout the world.

Because of my interest in nongovernmental relations, I have taken the liberty of reviewing the record and background of this company in view of its undoubted success. Much of its achievement is due to the vision and ability of the two founders, Mr. Peter Munk and Mr. David Gilmour. Both have wide experience in the export-import field.

It seems to me that the extraordinary success of this company should serve as an inspiration to free enterprise everywhere. Equally important, it inevitably affects United States-Canadian relations as a source of goodwill.

In examining the development of the company, it becomes clear that its two founders, recognizing certain ills in the electronic entertainment market, embarked upon an expansive program of research. Their first models of rapid audio equipment and cabinet design won instant awards from the Canadian Na-

tional Industrial Design Council. The productions were termed "outstanding in good design, on the basis of appearance, usefulness, and consumer acceptability."

The enterprising spirit of the project was, from the first, the key to success. The company stressed advanced sound engineering and simplicity of cabinet design.

The products which the Clairtone Corp. introduced were singularly attractive in appearance and of superb technical quality. They won widespread praise and evoked instant demand. The company, however, did not stand still; in 1961, Clairtone presented its first television-stereo console to the North American market. Early in 1962 the firm acquired the Middlesex Furniture Co., Ltd., a long-established manufacturing operation in Strathroy, Ontario.

The historical growth of this company exemplifies the hemispheric widening of free enterprise markets. The success of the Clairtone Corp. underlines the steady development of economic ties between Canada and the United States. Undoubtedly, this development serves the interests of both countries. It should be encouraged by public policy.

The Clairtone story represents an awareness of both economic self-interest and the resultant goodwill bred within and outside of the business community. The forward leadership of this typically fine concern reminds us anew of the great gains to be won through private economic undertakings on a world scale.

